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YOMIURI (Page 2) (Abridged slightly)
June 24, 2009

Satoshi Ogawa, Washington

It became clear on June 22 that the U.S. House Armed Services Committee has added an amendment to the fiscal 2010 defense budget

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that would make it hard to realize an agreement reached between the Japanese and U.S. governments to relocate the U.S. Marine Corps' Futenma Air Station in Ginowan, Okinawa, to Camp Schwab in the prefecture.

The amendment says the U.S. defense secretary should not give his approval to the alternative facility as long as the U.S. military fails to comply with minimum flight safety requirements. The office of Representative Neil Abercrombie, D-Hawaii, who proposed the amendment, told the Yomiuri Shimbun that the alternative under the current plan contravenes safety standards on the following points: (1) The runways are too short, (2) a school, Okinawa National College of Technology, is located nearby, and (3) there are obstacles, such as utility poles, along the flight path. As a result, Abercrombie indicated that the U.S. military should look for a new site to relocate the air station. A Japanese government source expressed strong concern, saying, "The content of this amendment suggests the transfer of the alternative facility agreed by Japan and the United States will not be permitted."

The defense budget, including the amendment, was adopted by the U.S. House Armed Services Committee on June 16. Discussion of the budget at the Senate Armed Services Committee was due to start on June 23. After joint committee discussions, the budget is expected to be adopted by the two chambers. The Defense Department is expected to try to persuade Congress to remove the amendment from the final defense budget. If Congress passes the budget intact, there is a possibility that President Barack Obama will veto it.

U.S. Marine Corps commandant Gen. James Conway, too, expressed before the Senate Armed Services Committee on June 4 his discontent with the envisaged replacement facility under the current relocation plan.

- 4) Coalition project team agrees to allow MSDF to conduct cargo inspections without prior Diet approval

YOMIURI (Page 2) (Abridged slightly)
June 24, 2009

The project team of the Liberal Democratic Party (LDP) and the New Komeito that is studying a special measures law governing ship inspections based on UN Security Council Resolution 1874 agreed at its meeting yesterday to allow both the Maritime Self-Defense Force (MSDF) and the Japan Coast Guard (JCG) to conduct ship inspections. The project team also decided not to specify clearly role-sharing between the MSDF and JCG so that they can deal with the matter in a flexible manner. MSDF activities will not require prior Diet approval. The team also confirmed that (1) the use of weapons should be limited to legitimate self-defense and emergency evacuations, and (2) the law's term should coincide with the duration of Resolution 1874.

Following this, the government will begin work with the aim of submitting a bill to the Diet in early July. The idea of allowing only the JCG to carry out inspections is deep seated. As such, a

plan to mobilize the MSDF under a maritime policing provision of the SDF Law as necessary has also emerged.

A senior project team member explained, "The SDF is superior to the JCG in terms of collecting information and pursuing vessels." As specific cases, he cited, (1) when a destroyer is navigating near

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the ship in question, and (2) when the vessel in question is heavily armed.

5) Ruling parties decide to forego rear support for foreign troops in DPRK cargo inspections

ASAHI (Page 4) (Full)
June 24, 2009

The ruling parties' project team (co-chaired by Gen Nakatani, chairman of the Liberal Democratic Party Research Commission on Security, and Shigeki Sato, chairman of the New Komeito Security Division) drafting a special measures law for cargo inspection on ships entering and leaving North Korea decided on June 23 not to include rear support activities by the Self-Defense Forces (SDF) for foreign forces, which was included in an earlier draft. The Diet's involvement in the process will be changed from ex post facto approval to ex post facto reporting. The team aims to finalize the outline of the bill on June 25, and submit the bill to the Diet before the end of the month.

Fuel supply, transport of personnel, and such other operations had at first been envisioned in terms of rear support for foreign troops. However, since ship inspections are concerned with the inspection of individual ships based on information obtained by satellites or aircraft, foreign ships are unlikely to stay at sea for extended periods of time, so such support operations were judged to be unnecessary. Furthermore, since cargo inspections will be based on the consent of the flag state and are not arbitrary, Diet approval was also judged to be unnecessary.

Meanwhile, the project team agreed that the executors of cargo inspections will be both the Japan Coast Guard (JCG) and the Maritime Self-Defense Force (MSDF) as originally proposed. While certain ruling party members wanted this to be limited to the JCG, out of their concerns about dispatching the SDF, it was thought that there could be cases the JCG is not capable of handling, such as when cargo ships are heavily armed. The JCG will take charge of ship inspections, while the MSDF will be responsible for information gathering and tracking with its P-3C reconnaissance planes and other equipment.

6) Two escort ships to be sent to Somalia under new Anti-Piracy Law

MAINICHI (Page 2) (Full)
June 24, 2009

Yasushi Sengoku

The Ministry of Defense announced on June 23 the dispatched of a new Maritime Self-Defense Force contingent to waters off Somalia in East Africa under the Anti-Piracy Law enacted on June 19. The new law has expanded the scope of security duties to escorting foreign ships and has relaxed rules on the use of weapons. The two escorts to be dispatched, "Harusame" and "Amagiri" have undergone training based on the new law. They will set sail shortly and will replace around late July the "Sazanami" and "Samidare," which have been on duty since late March.

7) New Japan-U.S. alliance specified in DPJ draft policies not convincing; Policies follow Ozawa policy course

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ASAHI (Page 4) (Excerpts)
June 24, 2009

Nao Fujita

The major opposition Democratic Party of Japan (DPJ) has drafted its foreign and security policies for 2009 that include such slogans as a "Japan-U.S. alliance of the new age." But the draft policies do not clearly show the overall picture, including the party's view of the international situation and its definition of national interests. As the party aiming to realize a change of government, what message is the DPJ going to send to the international community and Japan and how is it going to convince them? The clock is ticking for the DPJ.

The draft, led with the aim of establishing a Japan-U.S. alliance of the new age, underlines the party's intention to play an active role in the international community while sharing roles with the United States. But when it comes to specifics, the policies are unconvincing.

Since last year, scholars in the United States knowledgeable about Japan have been asking the DPJ not to touch on four points that are regarded as "anti-American": (1) the fundamental revision of the Japan-U.S. Status of Forces Agreement, (2) the ceaseless examination of the realignment of U.S. forces in Japan, (3) not dispatching the Self-Defense Force to Afghanistan in the war on terrorism, (4) the withdrawal of the Maritime Self-Defense Force from a refueling mission in the Indian Ocean. The draft policies effectively gave "no replies" to those four points.

Consideration was given only to (2). The DPJ's 2008 policies laid out the relocation of Futenma Air Station outside Okinawa for reducing the burden on the prefecture in defiance of the agreement between the governments of Japan and the United States. But the 2009 policies simply stipulate that the party will "study the position of the U.S. bases," leaving the question of whether to refer to the planned Futenma relocation to the leadership.

In any case, the policy is a far cry from "sharing roles with the United States." With respect to the overseas dispatch of the SDF, the party has maintained the policy of "joining activities under Article 42 (military measures) of the UN Charter." Such a policy is distinct from the government's constitutional interpretation that does not allow the use of force overseas. If the policy is implemented, Constitution protectionists in the party and the Social Democratic Party (SDP), which is considering joining a DPJ-led coalition government, are likely to raise strong objections.

The draft policies incorporate President Hatoyama's "East Asia Community" vision and Secretary General Okada's idea of denuclearizing Northeast Asia - ideas the Hatoyama leadership places importance on. But the policies are void of explanations on how to pursue those ideas under the Japan-U.S. alliance, the cornerstone of the country's security policy.

Referring to North Korea's resent missile launches and nuclear test, the draft says, "There is no other country that is more exposed to the threat of North Korea than Japan." The draft also expresses concern over the transparency of China's military power. It also points out the United Nations' loss of authority, saying that it was not able to stop the United States from attacking Iraq. If the party

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is to aim at the denuclearization of Northeast Asia under such circumstances, how is the DPJ going to handle the question of North Korea and the Six-Party Talks and to deal with that country bilaterally and to discuss disarmament with China? And what are the timetables for U.S. force realignment and a review of Japan's defense power?

The draft policies offer no explanations on those points. Secretary General Okada indicated in a monthly magazine's July issue that Japan should start from scratch in discussing the question of U.S. force realignment with the Obama administration. Asked for details in a press conference on June 12, Okada said: "It's too early to discuss it. I would like to avoid mentioning it since we have yet to take power."

There are no signs that President Hatoyama has displayed his leadership in discussions. At a meeting on June 5 of the "Next Cabinet," the leadership called for a review of the foreign and security policies laid out under former President Ichiro Ozawa, but there were no specific instructions. Reflecting a schism in the party over a set of criteria on the overseas dispatch of the SDF and other matters, the draft policies ended up carrying on with the "Ozawa policy course" that includes many ambiguous points.

8) DPJ includes SOFA revision in draft foreign policy paper

ASAHI (Page 1) (Full)
June 24, 2009

The draft has been revealed of the Democratic Party of Japan's (DPJ) foreign and security policy portion of its 2009 policy statement that will form the basis of its manifesto (campaign pledges) in the House of Representatives election,. The party puts forth an Asia-centered policy, upholding President Yukio Hatoyama's pet concept of an "East Asia community." It also includes proposals that may give rise to friction between Japan and the United States, such as a drastic review of the Status of Forces Agreement (SOFA) and the withdrawal of the Maritime Self-Defense Force (MSDF) from its mission in the Indian Ocean.

These proposals will form the basis for the DPJ's basic policies after it takes over the reins of government. However, its assessment of the international situation and methods for policy transition remain unclear. The party's perspective and strategy are likely to be questioned. The draft policies were formulated at a meeting of the party's division on foreign affairs and defense. They will be reviewed by Hatoyama and are expected to be finalized along with the manifesto before the end of June.

The long-term goal of forming an East Asia community would be realized through cooperation in such areas as energy, commerce, and the environment. Like the present administration, the DPJ also regards the Japan-U.S. alliance as the "cornerstone of Japan's security." However, since the DPJ has criticized the government for blindly following the U.S., its policy emphasizes the formation of an "equal partnership." It calls for "beginning a drastic review of the SOFA."

The MSDF refueling mission in the Indian Ocean will be terminated when its legal authorization expires in January 2010. With regard to dispatching the SDF to Afghanistan, the DPJ "will consider humanitarian and reconstruction assistance after an agreement to end

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hostilities is reached."

9) Foreign and security policy portion of DPJ's draft policy platform (main points)

ASAHI (Page 4) (Full)
June 24, 2009

Japan-U.S. relations:

We will form an equal partnership, in which Japan will clearly state its views. Japan will pro-actively carry out its responsibilities in the international community, sharing a role with the United States. In order to truly make the Japan-U.S. alliance the linchpin of peace and security in the Asia-Pacific region, we will look into the positioning of U.S. forces in Japan, giving consideration to civilian control and the reduction of the burden of (hosting) U.S. bases, and will begin drastic revision of the Status of Forces Agreement. We will carry out a thorough probe into the realignment of U.S. forces in Japan, especially the way the expense burden was set up for moving U.S. Marines on Okinawa to Guam, and we also will probe unremittingly into the host-nation support budget.

Asian foreign policy:

Gazing fixedly at the goal of establishing an East Asian Community,

we will set up a regional cooperative system for the Asia-Pacific in the fields of energy, commerce, and the environment. We will carry out a dialogue with China on human rights issues, such as Tibet, the environment, and removing concerns about the transparency of its military power and the gas-development projects in the E. China Sea. We do not support the unilateral independence of Taiwan, and oppose resolutely China's use of armed force (against Taiwan). We premise (our policy) on the 1972 joint communique between Japan and China.

For Japan, there is no more threatening country than North Korea. While considering additional sanctions, we will develop an independent policy so that through the United Nations and Six-Party Talks, North Korea will scrap its nuclear program, and so that the abduction issue will move toward resolution. Our aim is for a denuclearized Northeast Asia.

Overseas dispatches of the Self-Defense Forces (SDF):

The activities of the United Nations differ from Japan in the use of the right of self-defense and in character. We will participate actively based on our independent decision and under democratic control, including areas related to UN Charter articles 41 and 42.

As for Afghanistan, once there is an agreement to end hostilities, we will consider carrying out humanitarian and reconstruction assistance, including by the SDF. We will end the extension of oil refueling operations in the Indian Ocean carried out under current law. We will concur with the dispatch of the SDF for anti-piracy missions if it is difficult for the Japan Coast Guard to respond, but premised on prior approval by the Diet.

10) G-8 to call on UN members to sanction North Korea; Ministerial meeting stresses a tough posture

NIKKEI (Page 2) (Full)
June 24, 2009

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The draft of the chairman's statement to be issued by the G-8 foreign ministerial meeting opening in Trieste, Italy, on June 25 has been revealed. In light of the recent adoption of the UN Security Council (UNSC) sanction resolution against North Korea's second nuclear test, the statement will "call on UN members to implement sanctions based on this resolution without fail." It will also touch on the protests relating to the outcome of the Iranian presidential election and express concern on the Iranian government for causing the strife.

This is the first time that the G-8 will be calling on UN members to impose sanctions on a specific country. The G-8 wants to appeal to the international community for the strict enforcement of the sanctions and emphasize its tough stance. Regarding North Korea's apparent preparations to conduct a third nuclear test and another round of long-range ballistic missile launches, the document "demands that it desist from further provocative actions." It also expresses concern on abduction and other humanitarian issues.

On Iran's nuclear issue, the statement asks Iran to comply with its obligation to stop uranium enrichment activities under past UNSC resolutions. Based on the Obama administration's dialogue policy, the statement also stipulates the importance of dialogue with the Iranian government.

A separate meeting on aid to Afghanistan and Pakistan will be held alongside the foreign ministerial meeting. The international community attaches importance to stabilizing the security situation and economic development in the border area between the two countries, which has become a hotbed of terrorist activities. The G-8 and neighboring countries will discuss regional cooperation and issue a joint statement confirming the G-8's continued support.

11) Possibility of moving up Lower House dissolution to early July

NIKKEI (Page 2) (Abridged slightly)
June 24, 2009

It is expected that the cabinet of Prime Minister Taro Aso will approve a set of fiscal policy guidelines for fiscal 2010 in its meeting on June 30 at the earliest, since he has ordered the meeting to be held earlier than due. With this, there will be room for him to dissolve the House of Representatives to call a general election after July 1. Aso appears to be motivated to seek to check moves to remove him from office by brandishing the threat of dissolving the Lower House in early July. But there is a lot of skepticism about such among Liberal Democratic Party (LDP) lawmakers since they would suffer a crushing defeat in the general election if it were held under the leadership of Aso, whose popularity is low.

"I want you to compile budget guidelines for next fiscal year by the end of next week," Aso last evening instructed Kaoru Yosano, finance minister, state minister for financial services, and state minister for economic and fiscal policy.

The government annually sets the budget guidelines only after late July. Based on the government's decision, all the ministries and agencies present their budgetary requests to the Finance Ministry by the end of August. In order to avoid impacting on the Lower House election, the government this year had looked into deciding on July 3, but Aso called for an even faster timetable. Aso's aide said:

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"Setting the budget guidelines for fiscal 2010 is the last job for the Prime Minister. If it is done, the Aso cabinet will be completely free."

Aso has already opened his campaign office in his home constituency. By moving up the cabinet's adoption of the fiscal guidelines for fiscal 2010, the Diet will have no schedule until July 3 when the Emperor and the Empress leave for the United States and Canada. Dissolving the Lower House in early July is the only option for Aso if he wants to dissolve the lower chamber before he is forced to do so.

If the LDP is defeated in the July 5 Shizuoka Gubernatorial election and the July 12 Tokyo Metropolitan Assembly election, Aso will be unable to dissolve the Lower House even if he wishes due to opposition by the ruling parties. Lower House dissolution in early July could prevent such a risk.

However, the approval rate for the Aso cabinet dropped to 25 percent in a poll conducted in mid-June jointly by the Nihon Keizai Shimbun and TV Tokyo. Many in the ruling camp are calling for delaying dissolution. If Aso dissolves the Lower House before the enactment of a bill revising the Organ Transplantation Law, he might be come under criticism. A senior LDP member told reporters yesterday the perception that it would be difficult to dissolve the Lower House before the Tokyo assembly election because of deliberations on the bill. Speeding up the cabinet's decision on the fiscal policy guidelines may give Aso only the possibility of widening his option for Lower House dissolution.

12) LDP's Koga asks Higashikokubaru to run in Lower House election

TOKYO SHIMBUN (Page 2) (Slightly abridged)
June 24, 2009

Liberal Democratic Party (LDP) Election Strategy Council Chairman Makoto Koga called on Miyazaki Gov. Hideo Higashikokubaru at the Miyazaki prefectural government office yesterday afternoon. Koga asked Higashikokubaru to run in the next House of Representatives election as a candidate on the LDP ticket for the Tokyo metropolitan area's proportional representation bloc. Since Higashikokubaru presented such conditions as the LDP deciding to list him as a candidate for party president, a conclusion was not reached.

Koga apparently aims to prevent a significant drop in the seats the LDP will obtain by fielding the popular Miyazaki governor in the proportional representation segment, at a time when Prime Minister Taro Aso's popularity has been sagging.

It is unclear whether the candidacy of Higashikokubaru can be

realized because negative reactions are coming from senior LDP members. One party executive member said: "When did we start treating the position of LDP president so trivially." A former cabinet minister made this comment: "The whole LDP is treated like a doormat."

On June 23, Koga, chairman of the Japan Association of the Bereaved Families of the War Dead, usually attends the annual memorial ceremony of the end of the Battle of Okinawa. Changing the schedule, He visited Miyazaki. At the outset of the meeting, Koga said: "I want to talk with you in a serious manner."

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Higashikokubaru then presented his conditions for Koga's offer that in addition to that the LDP will list him as a candidate for party president, a decentralization draft plan compiled by the National Governors' Association will be included in the LDP's manifesto and it will be implemented in four years. Koga just replied: "I have heard your proposals."

Higashikokubaru explained the reason for his proposals: "It is necessary for the LDP to determine to bring about a fresh breeze and a change of blood."

However, the LDP rules for the presidential election stipulate that candidates for the party's presidency are chosen from its Diet members. Even if Aso resigns before the Lower House election, Higashikokubaru won't be able to become a presidential candidate. What is the meaning of his running in the Lower House election as an LDP presidential candidate?

13) Yosano, Watanabe received political donations from five companies through dummy group

MAINICHI (Top Play) (Excerpts)
June 24, 2009

The political group registered with the Internal Affairs Communications Ministry by Finance Minister and Financial Services, Economic and Fiscal Policy Minister Kaoru Yosano and former administrative reform minister Yoshimi Watanabe as their support group was found to be a dummy group. Through this group, five group companies, including the commodity futures trading company Oriental Trading, made political donations totaling 55.3 million yen to Yosano's office and 35.4 million yen to Watanabe's office during a period between 1992 and 2005. Under the tax system, a portion of donations to a political support group is deducted from the income tax imposed on the donator. Taking advantage of this system, the five companies had about 250 executive members donate a total of approximately 40 million yen to the lawmakers' offices by deducting the money from their salaries in order to receive tax credits.

Employees get tax credits

Yosano and Watanabe have both served as financial services minister and been involved in the task of placing restrictions on commodity futures trading. The group they designated as their support organization is now found to have backed political donations suspected of being illegal. Their close relations with the political group are likely to raise questions.

The political group in question is a group called "the study group on political and economic policies" established in 1981. According to political funding reports and other documents, Oriental Trading Co. Head Yukio Kato represents the group, with the presidents of its related companies serving as accounting managers. The office of the group was located in the Tokyo branch office of Oriental Trading until Kato retired from the business in 2006.

The money deducted from the salaries of executive members of the five companies was donated to the politicians through the study group. The five companies are suspected of having made political donations by using the study group as a dummy, and the donations are considered to be in violation of the Political Funds Control Law.

Yosano designated in a report to the then Ministry of Home Affairs the study group as his support group from 1981 through 2001. After he lost in the House of Representatives election in 2000, Watanabe registered the group as his support group until 2008.

The study group in question provided Yosano's fund-management group with 2.5 to 6.5 million yen in political donations every year between 1992 and 2005. Of the money, 6.8 million yen was offered in the days when Yosano was responsible for supervising commodity futures trading as internal trade and industry minister (from 1998 through 1999). The fund-management group's report noted that the study group was located "within Oriental Trading."

Meanwhile, Watanabe's fund-management group also received 1 to 6 million yen annually from 1995 through 2005. When Watanabe was serving as financial services minister in 2007 and 2008, he also designated the study group as his support group.

(Comment by Yosano office member)

The group offered support stemming from its desire to see (Yosano) become a great politician. We do not know how they collected the money. If we had known, we would not have received any donations. The group did not ask us for favors. The donations were made in a proper manner, so we will not return it.

(Comment by Watanabe office member)

We had heard the group made political donations with funds collected from individuals, so we did not harbor any doubts (about the propriety of the donations). The group decided to offer donations to this office, based on its relations with the late Michio Watanabe (Yoshimi's father), who was a Lower House member. We will make a proper response after holding discussions.

14) FTC concludes transport ministry took initiative in bid-rigging again

ASAHI (Top Play) (Abridged slightly)
June 24, 2009

The Fair Trade Commission (FTC) on June decided to apply the law for the prevention of collusive bidding at the initiative of government agencies after finding that the head of Hokkaido Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism's (MLITT) and several others were involved in bid-rigging for contracts for official vehicle operations by such service providers. It also ordered the ministry to improve its practices. The officials involved have allegedly provided internal information, such as changes in bid-rigging methods, to bidders. Bid-rigging for vehicle operations contracts is also carried out at the ministry's local offices other than the Hokkaido office as well. Former MLITT officials who were hired by those companies were allegedly involved in most of such bid-rigging practices.

According to the FTC, Hokkyo Renrakusha Kanri (Hokkyo), based in Sapporo City, which had hired many former MLITT officials, have been monopolistically winning contracts for official vehicle operations services in the area under the jurisdiction of the Hokkaido Regional Development Bureau. Other regional offices also introduced a designated bidding system one-by-one between 2002 and 2006. The senior managing director of Hokkyo, who was parachuted from the

Hokkaido Regional Development Bureau, allegedly carried out bid-rigging by creating a mechanism of choosing a pre-arranged winner from among designated companies.

The head and deputy head of the Bureau's Development Administration Department were found to have disclosed bid-rigging information, such as which office will shift its bidding system from a discretionary contract system to a designated bidding system and

which companies will be designated, to former Bureau officials who were hired by Hokkyo as president or senior managing director.

The FTC the same day also found that companies involved in the bid-rigging in question violated the Anti-Monopoly Law by repeatedly carrying out since January 2005 at the latest such practices for contracts for providing vehicle operations services linked to the national road office and the river office, MLITT's local bodies. The antimonopoly watchdog ordered 10 companies, including Hokkyo, which were deeply involved in the bid-rigging practices, to pay fines totaling 2.6 billion yen and ordered them to take measures to prevent a recurrence.

15) Basic fiscal policy guidelines for fiscal 2009 shelve spending cuts

ASAHI (Page 1) (Abridged slightly)
June 24, 2009

The government at a special cabinet meeting on June 23 adopted basic policy guidelines on economic and fiscal management and structural reforms for fiscal 2009. The guidelines included a policy of maintaining cutbacks on expenditures, which has been in place since the Koizumi cabinet adopted the 2006 basic policy guidelines. The government has, however, pledged to the ruling camp not to constrain social security and welfare spending by 220 billion yen a year. The ruling parties, which have been intensifying pressure for more spending, have had their own way on in the run-up before the general election, putting a dent in the government drive to press ahead with reforming expenditures.

The prime minister, who wanted to make a public appeal that the Liberal Democratic Party (LDP) and the New Komeito are responsible parties, adhered to the idea of leaving intact the wording for maintaining the reform of expenditures in accordance with the 2006 basic fiscal policy guidelines. However, his administration, which has seen a declining in its power base due to plunging support ratings, did not have the power to repel pressure from the LDP's welfare and labor policy clique, which called for the retraction of the government's policy of constraining social security expenditures by 220 billion yen.

In the end, the 2009 basic fiscal policy guidelines included such descriptions as "necessary social security expenditures will be financed" and "budget estimate guidelines that are different from those of the previous fiscal year should be set." Finance Minister Yosano on the 23rd exchanged a memorandum with top four LDP executives, such as Secretary General Hiroyuki Hosoda and Hidehisa Otsuji, head of the LDP caucus in the Upper House, who is also a member of the welfare and labor policy clique, pledging to approve a natural increase in social security expenditures in the next year's budget as is and to make efforts to save expenditures within a reasonable range.

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The prime minister wants to reflect the 2009 basic fiscal policy guidelines in the party's manifesto. However, unless the LDP wins the next general election and the LDP-New Komeito coalition government continues, the guidelines will most likely be cancelled.

16) Basic fiscal policy guidelines for fiscal 2009: Concern about bloating expenditures

YOMIURI (Page 2) (Abridged slightly)
June 24, 2009

Following the retraction of the government's policy of constraining social security and welfare expenditures - the showcase of spending cuts since the Koizumi administration, voices calling for greater expenditures in such areas as public works, defense, agriculture and education will likely grow stronger in the ruling camp. This will gradually put a dent in the reform of government expenditures intended to reconstruct the nation's fiscal base.

The policy of constraining social security and welfare expenditures has been retracted as a result of the Japan Medical Association (JMA) strongly working on lawmakers of the Liberal Democratic Party (LDP) with the next Lower House election close at hand. A senior Finance Ministry official said, "The activities of the JMA were powerful." The LDP apparently brushed aside the government's resistance with its heightening desire to hold a commanding lead in the election campaign.

The government had been pursuing a scenario in which it would promote a policy of constraining social security spending, even if it is a policy target, and constrain pressure for expenditures in other areas, such as public works and agriculture, as well.

However, the scenario is beginning to fall apart due to the shift from the policy of constraining social security spending, the symbol of the scenario. Calls for expanding expenditures, such as the view that a 3 PERCENT cut in public works is impossible or that cutting the defense budget would cause serious problems because of the tense situation due to missile launches and nuclear tests by North Korea, are growing stronger.

The government hopes to seek understanding from the public regarding the reform of revenues, including a hike in sales tax, while maintaining the spending cut policy. All the more for that reason, if its policy of cutting expenditures is watered down, it could have a negative impact on discussions on a hike in sales tax, which the government wants to implement once the economy turns around.

ZUMWALT